



For millions of Americans, retirement is an uncertain prospect. At a time when people are living longer, and incomes are stagnant, many are at risk of outliving their savings. Even with income from programs like Social Security, nearly 1 in 10 elderly Americans live in poverty, and the Employee Benefit Research Institute projects that over 40 percent of Gen Xers will run short of money in retirement. The personal savings situation is dire for many working-age households as well; in a recent survey, nearly half of all adults said they would be unable to come up with \$400 in an emergency without selling their possessions or borrowing.

These are complex issues, but some of the causes are clear. Many workers lack access to workplace retirement savings plans and others are not taking advantage of them. Emergency expenses often lead people to drain their retirement accounts early, and even when Americans successfully build up a nest egg, there is no clear path to make sure those savings last. To top it all off, Social Security faces significant financial challenges, with a large cut in benefits on the horizon if no action is taken. These problems will only grow worse if Congress does not act.

The Bipartisan Policy Center's Commission on Retirement Security and Personal Savings, led by former Senator Kent Conrad and Jim Lockhart, tackled these challenges head on in its recent report.¹ The comprehensive, bipartisan package of recommendations would increase retirement savings for tens of millions of Americans and reduce old age poverty. Further details can be found in the report, but the proposals can be grouped into three main categories for improving retirement security:

1. Improve Access and Make Saving Easier

A major component of the solution comes down to the fact that we must increase access to and participation in workplace retirement savings plans. Despite the ability of these plans to help people save, in the [private sector](#) 32 percent of working Americans do not have access to them and another 24 percent are not participating. Policy reforms ought to remedy these barriers to retirement security, helping people accumulate and preserve assets during their working years.

The Commission's recommendations include several policy changes to achieve this goal, such as enabling a version of open multiple employer plans ("open MEPs") for small businesses to offer their workers, renewing and improving the myRA program for those without other options at work, enhancing tax and regulatory policy that improve employer and worker incentives for saving, and making it is easier for savers to keep

¹ <http://bipartisanpolicy.org/wp-content/uploads/2016/06/BPC-Retirement-Security-Report.pdf>

funds within tax-preferred plans and more difficult to withdraw them prematurely without good reason.

2. Help Transform Nest Eggs into Retirement Income

Longer life expectancies and the erosion of traditional pensions means that Americans need new ways to make their savings last and turn them into a lifetime of income. Unfortunately, many households underestimate their needs, and others lack easy access to financial tools that can reduce the risk of outliving their savings. Informed policymaking can help address these issues and provide solutions to make savings last.

The Commission's recommendations include encouraging the provision of more information and retirement income options within employer plans, making it easier for individuals to purchase guaranteed lifetime-income products, facilitating the use of home equity for financial stability in retirement, and improving Americans' financial capability by encouraging financial knowledge and planning from an early age. This includes communicating the consequences of claiming Social Security too early, which results in lower monthly benefits for life.

3. Strengthen and Modernize Social Security

Social Security is the foundation of retirement security in our country, and its success in reducing and limiting poverty among older Americans is well documented. While we have known for decades that the system in its current form is unsustainable, policymakers have failed to address the problem. These decades of inaction now threaten the solvency and future viability of the program. The Social Security trust funds are [projected](#) to run dry by 2034, at which point beneficiaries would face across-the-board cuts to their benefits. Every year that policymakers delay action, the costs of fixing the program increase for workers and retirees alike. We need to save our Social Security system for today's seniors and for generations to come.

The Commission's recommendations, which reflect a balanced blend of new revenue and restraints on benefits, include updating the benefit formula to make it more progressive, indexing the retirement age to longevity, changing the measure of inflation used to determine the annual cost-of-living adjustment, updating spousal and survivors benefits, raising the cap on taxable wages, gradually raising the payroll tax, increasing taxes on benefits for high-income beneficiaries, replacing the windfall elimination and government pension offset, and improving the Disability Insurance program.

We believe that implementing these recommendations will significantly increase the wellbeing of millions of current and future Americans in retirement.

To build on this important work and that of dozens of other experts and practitioners, the Bipartisan Policy Center has launched the Funding Our Future campaign,² which is a diverse coalition of more than 35 partner organizations that all support strengthening retirement security in America. The campaign is working to highlight the challenges surrounding retirement security in this country and to demonstrate that solutions exist. All of the partner organizations agree that policymakers must focus their energies on this issue and act to make a more secure retirement possible for millions of Americans across the country.

The Bipartisan Policy Center is committed to working across the aisle to solve difficult problems, and we hope that you will view us as a resource as you continue to debate policies and legislation that will improve retirement security for American families.

² <http://fundingourfuture.us>

Summary of Recommendations – Commission on Retirement Security and Personal Savings

Improve Access to Workplace Retirement Savings Plans

- **Create Retirement Security Plans to serve any business with fewer than 500 employees.** Smaller businesses could adopt a Retirement Security Plan that serves multiple employers. To make it easier for businesses to offer plans, most administrative and fiduciary responsibilities would be transferred from the employers to the Retirement Security Plan organizer.
- **Establish an enhanced, more-flexible, automatic-enrollment contribution safe harbor.** This new alternative would enable plan sponsors to bypass complex nondiscrimination and top-heavy testing requirements by adopting automatic enrollment and automatic escalation.
- **Reinstitute an improved version of the myRA program to provide coverage for workers unlikely to have access to a workplace retirement savings plan.** Establish the program in statute, allow employers to automatically enroll workers, and allow optional employer contributions.
- **Introduce a nationwide minimum-coverage standard to pre-empt a disjointed patchwork of state-by-state regulation.** Beginning in 2020, employers with 50 or more employees would be required to do one of the following: (1) offer a fully qualified retirement plan, such as a 401(k) plan or a defined benefit plan; (2) automatically enroll employees into a Retirement Security Plan; or (3) automatically enroll employees into myRA. Employees would have the ability to change contribution amounts or opt out of contributing entirely.
- **Establish Lifetime Income Plans as a new, more-sustainable retirement plan design that would be available for multiemployer defined benefit plans to voluntarily adopt.** This new design would feature contribution rates that are stable for employers, professional investment management, and benefits in the form of a monthly income for life.
- **Create a private-sector Retirement Security Clearinghouse to help individuals consolidate their retirement assets.**
- **Promote workplace retirement savings by increasing the new-plan-startup tax credit for employers and offering a new tax credit for employers that add auto-enrollment.**
- **Change the present Saver's Credit into a refundable Starter Saver's Match to provide better incentives for younger savers.**

Promote Personal Savings for Short-Term Needs and Preserve Retirement Savings for Older Age

- **Harmonize early withdrawal rules for IRAs and 401(k)-type plans.**
- **Simplify the process for transferring retirement savings from plan to plan.**

- **Clear barriers to automatic enrollment in multiple savings accounts.** Employers should be allowed to auto-enroll employees into a payroll-deduction arrangement with contributions split between a tax-advantaged retirement plan and a federally insured savings account.

Facilitate Lifetime-Income Options to Reduce the Risk of Outliving Savings

- **Encourage plan sponsors to integrate easy-to-use, sophisticated lifetime-income features.** Provide new safe harbors, modify regulations, and give additional guidance to plan sponsors that wish to incorporate lifetime-income options within a defined contribution plan.
- **Implement specific policy changes that would enable more plans to offer automatic installment purchases (i.e., laddering) of guaranteed lifetime-income products.**
- **Implement specific policy changes to promote active-choice methods of selection among retirement-income features.** An active-choice framework requires individuals to make a decision from a simplified menu of retirement-income options (including an option to decline).
- **Encourage plan sponsors to offer information and features designed to help workers claim Social Security benefits later, thereby increasing monthly income.**

Facilitate Use of Home Equity for Retirement Consumption

- **End subsidies that encourage the use of home equity for pre-retirement consumption.**
- **Strengthen programs that support and advise consumers on reverse mortgages.**
- **Establish a low-dollar reverse-mortgage pool for retired homeowners.** Allowing retirees to tap into small amounts of home equity could reduce risk and lead to lower fees.

Improve Financial Capability (the knowledge, ability and opportunity to manage one's own finances)

- **Expand personal financial education in K-12 and higher-education curricula.**
- **Better communicate the advantages of claiming Social Security benefits later.**

Fix Social Security's Finances and Improve the Program

- **Adopt a package of reforms, roughly balanced between changes to revenues and benefits, to improve the financial strength of the program, increase benefits for lower earners, reduce old-age poverty, and prevent abrupt changes to benefits. Provisions include:**
 - Increase the progressivity of the benefit formula.

- Apply the benefit formula to earnings annually to more evenly reward continued work and allow workers to count more years of earnings in the benefit formula.
- Establish a basic minimum benefit to enhance Social Security for beneficiaries with low incomes.
- Index the retirement age to longevity to reflect ongoing increases in average life expectancy.
- Use a more-accurate measure of inflation for Social Security's cost-of-living adjustments and for indexing income-tax parameters.
- Cap the spousal benefit and re-index to a slower growing rate.
- Enhance survivors benefits to help widows and widowers maintain their standard of living.
- Raise the maximum taxable earnings level and re-index to a faster growing rate.
- Gradually increase the payroll-tax rate by 1 percentage point.
- Replace the windfall elimination provision and government pension offset with a pro-rated benefit for workers with non-covered earnings.